



The Commonwealth of Massachusetts

Secretary of the Commonwealth

State House, Boston, Massachusetts 02133

William Francis Galvin
Secretary of the Commonwealth

February 26, 2013

Charles Robert Schwab
Chairman of the Board
Charles Schwab & Co., Inc.
211 Main Street
SF211MN-05-305
San Francisco, CA 94105

Re: Department of Enforcement v. Charles Schwab & Company, Inc.
Pre-Dispute Arbitration

Dear Mr. Schwab:

I am writing in my capacity as the chief securities regulator for Massachusetts. I write to you today to express my grave concerns over your firm's recent actions regarding a key investor protection issue: pre-dispute arbitration clauses. As you know, FINRA rules for years prohibited its members from attempting to prevent their customers from joining civil class actions. Notwithstanding this long term prohibition your firm violated this rule. While a FINRA hearing panel decision found the same they also held that FINRA cannot enforce rules intended to preserve investors' right to judicial class actions as an alternative to arbitration.

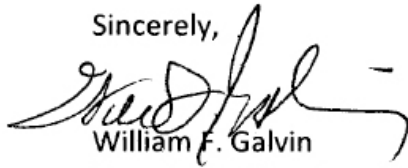
Your firm's recent comments praising the decision and claiming that customers are better served through FINRA arbitration are disingenuous. It ignores the fact that by placing this arbitration clause in every brokerage account agreement as a matter of course, it denies an investor the basic opportunity to decide for him or herself what forum is in his or her best interest. Further, it ignores the logic behind this rule that often the cost of litigation leaves the class action lawsuit as the only viable method for small investors to seek redress for the wrongful actions of their brokers – something that is not necessarily apparent to an investor at the point the account is established. This ruling is akin to giving every rogue broker-dealer the green light to steal from their customers in small dollar amounts.

While I know that this is not the purpose behind your actions, I ask you to consider that this FINRA Hearing Panel decision will lead other brokerage firms to follow the lead of Charles Schwab and demand that their customers give up their right to file class actions against them to

their own detriment. I therefore am calling upon your firm as a good corporate citizen to reevaluate its position on pre-dispute arbitration clauses that deny investors the choice of a class action lawsuit.

Please contact Bryan Lantagne, Director of the Massachusetts Securities Division, at (617) 727-3548 if you have questions or wish to discuss this matter further.

Sincerely,

A handwritten signature in black ink, appearing to read "W. Galvin", with a horizontal line extending from the end of the signature.

William F. Galvin

Secretary of the Commonwealth
Commonwealth of Massachusetts